

eGeneration to set up data centre at Idra for Tk 15cr

STAR BUSINESS REPORT

eGeneration Limited has signed a contract with the Insurance Development and Regulatory Authority (Idra) to set up a data centre at its office.

In a filing on the Dhaka Stock Exchange yesterday, the IT company said the Idra represented by the project director of the Bangladesh Insurance Sector Development Project and eGeneration inked the agreement to set up the data centre for about Tk 15 crore.

The data centre will be established within six to nine months, said an official of eGeneration.

Rupee logs first gain in 5 sessions

REUTERS, Mumbai

The Indian rupee closed higher for the first time in five sessions on Tuesday when investors evaluated hawkish comments from US Federal Reserve officials and progress in the debt ceiling talks.

The rupee closed up at 82.80 to the US dollar compared with a close at 82.8275 in the previous session. The currency hit a low of 82.85 on Monday, its lowest since February 27.

The gains in the capital market are supporting the rupee from any fall, while traders are also keeping a watch on the US debt ceiling talks, said Jateen Trivedi, research analyst at LKP Securities.

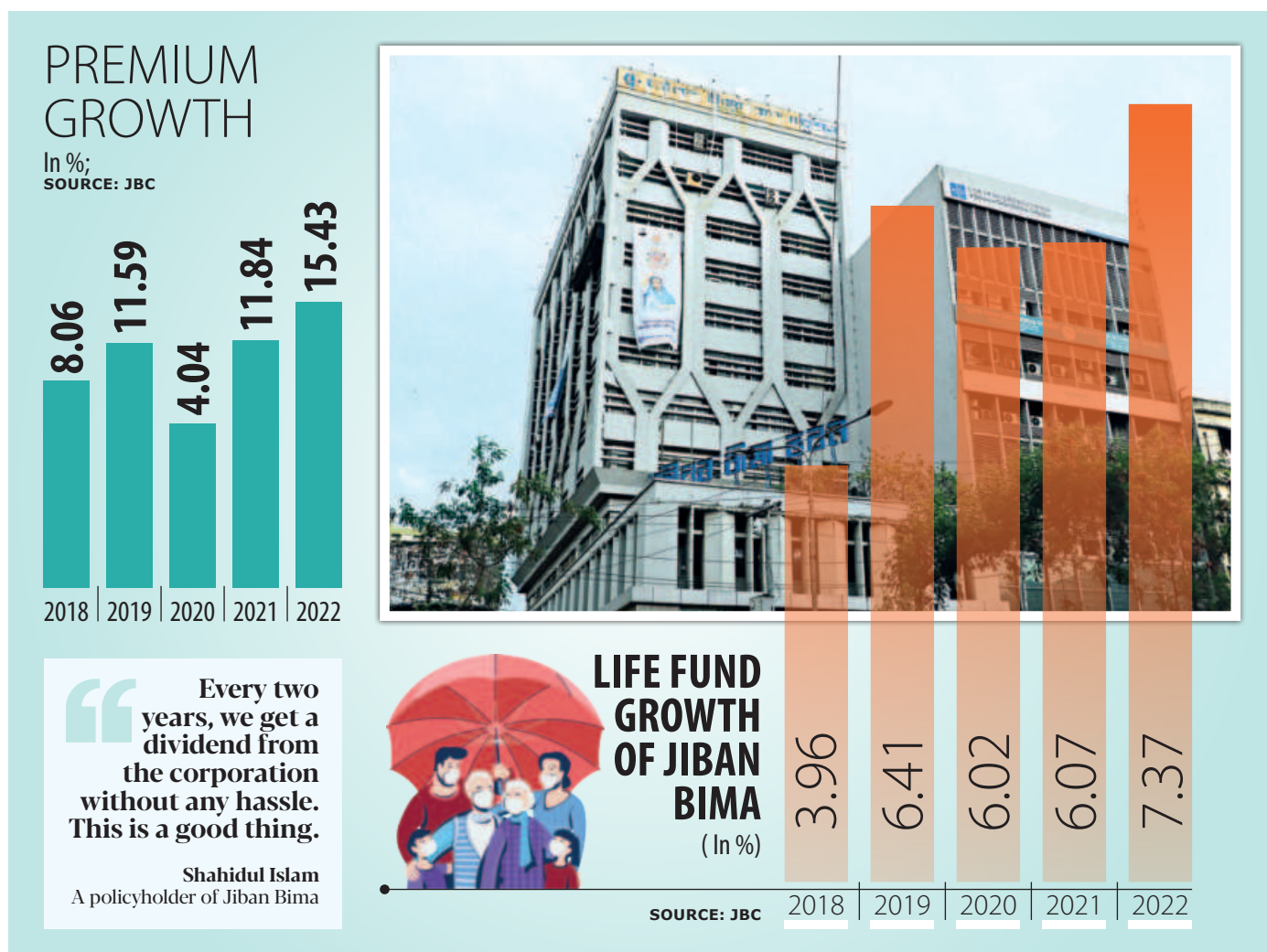
The rupee could trade in the range of 82.75-83 in the near term, Trivedi said.

Traders and analysts expect India's central bank to defend the rupee if it falls to around 83 levels. The central bank has shored up its forex reserves through interventions in recent weeks.

Meanwhile, the US dollar index edged up 0.2 per cent, after rising 2 per cent in the past two weeks.

The dollar rose after hawkish signals from the US Federal Reserve officials overnight. Minneapolis Fed President Neel Kashkari said it was a "close call" whether he would vote to raise interest rates or pause at next month's meeting.

Meanwhile, St. Louis Fed President James Bullard said the US central bank may still need to raise the benchmark interest rate by another half point this year.



Jiban Bima sees steady growth despite challenges

SUKANTA HALDER

Jiban Bima Corporation, a state-run life insurance provider in Bangladesh, witnessed steady growth for the past few years as its subscriber base has expanded even though customers lack faith in the industry.

The company's life insurance fund advanced 7.37 per cent year-on-year to Tk 2,474 crore in 2022, registering annual growth of above 6 per cent for the past three years.

"The main reason for the higher life premium is that people are confident they will get their funds back without facing any fraud as we are a state-run company," said Ferdous Alam Khan, manager for consolidation accounts of Jiban Bima Corporation.

The insurer's total premium increased 15.43 per cent year-on-year to Tk 763 crore in 2022. In the previous four years, the growth in premium was more than 11 per cent.

However, the premium growth in 2020 fell significantly to 4.04 per cent due to poor business amid the coronavirus crisis, according to company documents.

In 2020, overall life insurance premiums

dropped by more than 1 per cent year-on-year to Tk 9,501 crore. It then rose by around 8 per cent to Tk 10,260 crore in 2021, as per data from the Insurance Development and Regulatory Authority (IDRA).

Muhammad Shahidul Islam, a policyholder of Jiban Bima Corporation,

The insurer's total premium increased 15.43 per cent year-on-year to Tk 763 crore in 2022. In the previous four years, the growth in premium was more than 11 per cent.

said the benefit of the policy he has taken is slightly higher compared to those offered by private life insurance companies.

He then said he has taken three separate policies from as many companies but the largest in terms of value is the one opened with Jiban Bima Corporation.

"Every two years, we get a dividend from the corporation without any hassle. This is a good thing," Islam added.

Tanim Hussain Shawon, another

policyholder, said the premium he pays to Jiban Bima Corporation is comparatively less than that charged by private firms while the service is satisfactory.

In 2010, only 40 per cent of all life insurance policyholders would continue paying premiums past the second year but it is more than 80 per cent now.

Regarding the general public's distrust in insurance schemes, Alam said this is because several large private companies are not properly settling claims while others have almost gone bankrupt.

"Our claim settlement rate is very good though and because of this, peoples' confidence in Jiban Bima Corporation has increased. Therefore, the amount of life fund has also increased," he added.

Bangladesh's life insurance penetration is well behind the emerging market average of 3.3 per cent. In 2020, India's life insurance penetration was 3.2 per cent while it was 2.4 per cent in China.

Currently, there are 35 life insurance and 46 non-life insurance companies active in the country. Of them, 49 are listed with the stock market.

The insurance industry contributes only 0.4 per cent to Bangladesh's growing gross domestic product.

US company wants to invest in solar energy Says ambassador

STAR BUSINESS REPORT

American company Blackstone is seeking to invest in solar energy in Bangladesh as the world transitions to clean energy amid global warming and shortage of energy supplies caused by the Russia-Ukraine war, said US Ambassador to Bangladesh Peter Haas yesterday.

He was addressing a "Clean EDGE (Enhancing Development and Growth Through Clean Energy) Asia Conference" jointly organised by the Washington-based National Bureau of Asian Research and Independent University, Bangladesh in a Dhaka hotel.

"During my last trip to Washington, I met with a Blackstone portfolio company that is interested in developing solar energy in Bangladesh," Haas said.

Blackstone is "fighting for an opportunity to invest in renewables in Bangladesh the same way other American companies did a generation ago to develop Bangladesh's natural gas", he said.

As Bangladesh wants to attract more private US investment, he suggested that the country do everything possible to get Blackstone to invest here.

"If a firm with so much assets tastes success in this market, imagine what might follow. Alternatively, if it has a dissatisfying or frustrating experience, imagine all the other places that investment will go," he added.

Haas said the world's fossil fuel supply was finite and the Russia-Ukraine war last year shocked the energy market in Bangladesh and elsewhere.

All nations must develop a plan to solidify their energy security based on a diversified portfolio of resources, he added.

Renewable resources are the key to this energy transition for Bangladesh, South Asia, and the world.

Finding ways to harness solar, wind, geothermal, hydro, and other energy sources is the path to energy security, Haas said.

The US established Clean EDGE Asia to support and accelerate Asia's clean energy transition to help the regional countries reach this goal, he said.

It is crucial for all to explore avenues of cooperation among regional counterparts for increased regional energy trading, shared development of innovative technologies, or other solutions, he said.

"We need to collectively assess renewable and clean energy resources across the region to determine what makes the most sense for the people of South Asia," he said.

It will require contributions from government, private sector, and civil society for Bangladesh to achieve a just energy transition, he said.

This will also require good policies in place to incentivise smart investments and cross-border electricity trade, privatisation of underperforming state-owned assets, adoption of new technologies, and a phasing out of the most damaging fossil fuel-based power generation facilities, Haas said.

"This will not happen overnight. It will take years to accomplish. But we can accomplish it faster if we work together through initiatives like Clean EDGE Asia," he stated.



How DBH managed

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As the company lent for only housing, its spread is low as well as margin. In this perspective, if it sees a high amount of NPL, the company will lose out, so its focus is mainly on risk management, Baten clarified.

When it lends, it focuses mainly on the repayment capability of the borrower instead of keeping a high mortgage. "This policy has worked well to keep the NPL low," he said.

As the NPL is dealing with a single product, that is house loans, it is comparatively bearing a low risk and this is also a reason, he added.

Efficient client selection helped the company as other NPLs' NPL on the same product is at least 3 per cent to 7 per cent, he said.

The DBH achieved a AAA rating for 17 consecutive years since 2005, according to its annual report for 2022. The AAA is the highest rating referring to a company's excellent quality, offering the highest safety for timely servicing of financial obligations and carrying minimum risk.

A special loan recovery team of the company played a contributory role to reach that figure with their all-out

effort, said the top DBH official.

Intense follow-up and proper monitoring through frequent customer visits are the keys to an efficient and effective recovery system, he added.

At the end of December 31, 2022, the loans and advances portfolio of the DBH stood at Tk 4,454 crore.

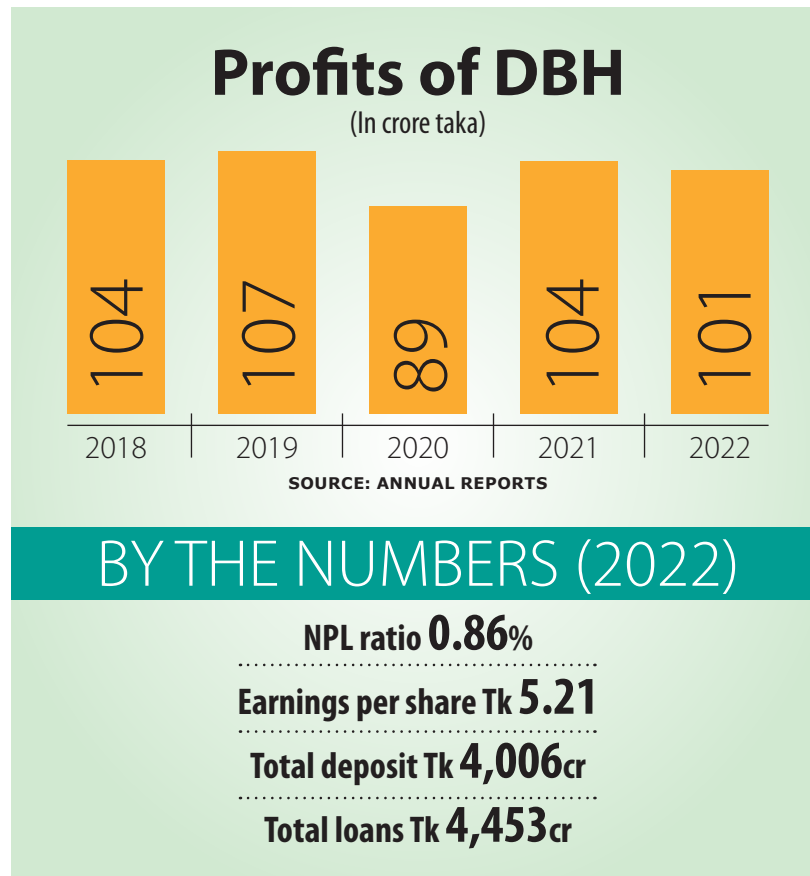
The DBH has historically maintained a low NPL ratio of approximately 0.50 per cent without any significant write-offs.

At the end of last year, the DBH's NPL ratio witnessed an increase from 0.63 per cent in the preceding year to 0.86 per cent.

During the year, the DBH provided Tk 10.38 billion-worth home loans to over 3,000 households, which is marginally higher when compared to that of the previous year.

The listed NPL's profits dropped to Tk 101 crore in 2022 which was Tk 104 crore in the previous year.

As the interest rate against deposits rose, the lending rate did not go up at the same pace and the economy is facing the fallouts of a war and the pandemic, so it impacted the profits of the company, said the MD of DBH Finance.



Interbank dollar rate

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In the first nine months of 2022-23, import bills dropped 12.33 per cent year-on-year to \$53.93 billion. As a result, the trade deficit, which occurs when a country's imports exceed its exports, declined 41.6 per cent year-on-year to \$14.61 billion in July-March.

In April, remittance declined 16.27 per cent year-on-year to \$1.68 billion. Overall, money transferred by migrant workers and non-resident Bangladeshis living abroad grew 2.36 per cent to \$17.71 billion in July-April.

Export earnings dipped 16 per cent year-on-year in April with overall receipts growing by 5.38 per cent to \$45.67 billion in the first 10 months of the ongoing fiscal year.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, says the depreciating trend of the interbank exchange rate is a good thing.

The foreign exchange market should be allowed to determine the exchange rate based on the demand-supply method of the greenback, he said.

If the exchange rate for the dollar is kept strong artificially, it will not bring any good for the economy, added Mansur, also a former official of the International Monetary Fund.

The country's foreign exchange reserves stood at \$30.18 billion on May 18, down 28.5 per cent year-on-year.

Mansur also suggested the central bank follow a uniform exchange rate to bring back stability in the foreign exchange market.

Last month, banks decided to offer remitters Tk 108 for each greenback instead of Tk 107.

Banks also decided to increase their purchase prices of the dollar from exporters to Tk 106, up from Tk 105 earlier.

Japanese realtor

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JP Build Company entered into the real estate and construction business in Japan in 2018 and the company's core strength is its quality products and use of modern technology in construction, according to the statement.

JP Build extends services related to solar power plant, eco energy power generation facilities, real estate business and consultation services along with construction work.

JP Build BD Co Ltd will play a special role in the development of Bangladesh's economy and manpower, Yamamoto said at the

opening ceremony. "We will support the construction of modern and earthquake resistant buildings by using skilled workers and modern technology from Japan. We want to be a part of digital Bangladesh through new technology."

"Japan has always been interested in being a partner in development work with Bangladesh," the Japanese ambassador said at the event.

"During the visit of Prime Minister Sheikh Hasina to Japan, my task was to make as many Japanese investors as possible interested in working in Bangladesh."

Progressive tax a remedy

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upper slabs. We have not seen any progressive changes in the slabs that we have wanted."

Prof Bidisha, also the research director of the South Asian Network of Economic Modeling, suggested the government announce incentives for new taxpayers and grant waivers in some areas in order to expand the tax net in the rural areas.

Due to a lack of proper identification and monitoring, many people have remained out of the tax net for years and they have accumulated wealth under the names of family members, evading taxes, she said.

"The identification of the rich is necessary and digitalisation can contribute to this effect."

SM Zulfikar Ali, a senior research fellow of the Bangladesh Institute of

Development Studies, said the overall existing tax system can't be termed as progressive.

"We can say the direct tax is progressive to some extent," he said, citing that there are various slabs, which range from 10 per cent to 30 per cent.

"But the indirect taxes such as VAT are not progressive. This is because the poor are paying relatively higher tax in proportion to their income."

The tax-GDP ratio of Bangladesh is one of the lowest among South Asian countries, said Sanjida Islam, a lecturer at the Daffodil Institute of IT, while making a presentation.

She said it is imperative to introduce a better and poor-friendly tax regime. She also urged the government to ensure better services for taxpayers.

MCCI for taka-rupee trade

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to \$50 billion per annum from \$12 billion at present, he said.

In recent years, the trade balance has been decreasing, especially imports from India, for a shortage of the US dollar and severe fallouts of the war, said Islam. In fiscal year 2020-21, the bilateral trade amounted to \$10 billion and in fiscal year 2021-22 it jumped to \$18 billion, he said.

But in fiscal year 2022-23, it decreased to \$12.25 billion, meaning that it underwent a 31 per cent year-on-year fall, Islam said.

The import of cotton from India decreased 59.6 per cent, food grain 44 per cent and mineral and other energy 25 per cent last fiscal year, he said.

Meanwhile, export of woven garments increased 70 per cent and knitwear 38 per cent, Islam said.

He also suggested for enabling more connectivity on a sub-regional basis.

Some regional initiatives like the South Asian Free Trade Area, Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation, and Bangladesh Bhutan India Nepal motor vehicles agreement are not functioning well for the growth of trade, he said.

Syed Nasim Manzur, a former MCCI president, made three suggestions which includes the standards harmonisation, explaining that mutual recognition could be a huge game changer for bilateral trade.

The other two are for introducing a work permit visa for Bangladeshis in India and for launching a working group involving the Indian high commission and MCCI to discuss bilateral trade issues and for connecting businesses.

VAT on sweets

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"We are seeing higher VAT collections from restaurants after we cut the rate.

So, we are considering slashing the VAT rate on sweets. This will enable people to buy sweets at a reduced VAT," said a senior finance ministry official.

The latest data on the collection of VAT, which is paid by consumers during purchase of goods and services, is not available.

The NBR's annual report for 2019-20 showed that it received Tk 40 crore in VAT from sweets stores, down 26 per cent year-on-year.